

HPQ – SILICON  
R E S O U R C E S



## **HPQ-Silicon Resources Inc.**

(Formerly Uragold Bay resources Inc.)

### **Consolidated Financial Statements As at December 31, 2016 and 2015**

**(In Canadian dollars)**

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## **Independent Auditor's Report**

To the Shareholders of  
HPQ-Silicon Resources Inc.

**Raymond Chabot Grant Thornton LLP**

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We have audited the accompanying consolidated financial statements of HPQ-Silicon Resources Inc. (formerly Uragold Bay Resources Inc.), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of HPQ-Silicon Resources Inc. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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*Raymond Chabot Grant Thornton LLP*  
Rouyn-Noranda  
April 28, 2017

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Consolidated Statements of Financial Position

December 31, 2016 and 2015

(in Canadian dollars)

	Notes	December 31, 2016 \$	December 31, 2015 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash		472,393	177,585
Marketable securities in a quoted company		200,000	-
Goods and services tax receivable		261,387	36,534
Tax credits receivable		-	33,400
Advance for exploration expenses		45,600	115,281
Deposit	6	-	50,000
Prepaid expenses		153,630	88,796
Assets held for sale	7 - 9	1,908,339	-
Installments on due to a company	8	93,242	96,801
Installments on due to directors, officers and companies owned by a director or an officer	8	362,953	277,249
		<u>3,497,544</u>	<u>875,646</u>
<b>Non-current</b>			
Exploration and evaluation assets	9	770,671	2,264,590
Property and equipment	10	1,674,718	-
Intangible assets	11	1,898,062	-
		<u>4,343,451</u>	<u>2,264,590</u>
<b>Total assets</b>		<u>7,840,995</u>	<u>3,140,236</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	12	393,878	346,494
Notes payable	13	180,000	-
Due to directors, officers and a company owned by a director, without interest	8	-	92,530
Liability related to flow-through shares		161,540	517
		<u>735,418</u>	<u>439,541</u>
<b>Non-current</b>			
Due to directors, officers and a company owned by a director, without interest (effective rate of 3 %)	8	1,209,601	700,286
Royalties payable	11	860,275	-
Notes payable	13	-	230,000
		<u>2,069,876</u>	<u>930,286</u>
<b>Total liabilities</b>		<u>2,805,294</u>	<u>1,369,827</u>
<b>EQUITY</b>			
Share capital	14	25,917,327	20,541,178
Contributed surplus		1,588,685	874,244
Retained deficit		(22,470,311)	(19,645,013)
<b>Total equity</b>		<u>5,035,701</u>	<u>1,770,409</u>
<b>Total liabilities and equity</b>		<u>7,840,995</u>	<u>3,140,236</u>

The accompanying notes are an integral part of the consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 27, 2017.

### ON BEHALF OF THE BOARD

(s) Patrick Levasseur \_\_\_\_\_, Director

(s) Bernard J. Tourillon \_\_\_\_\_, Director

**HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)****Consolidated Statements of Comprehensive loss**

December 31, 2016 and 2015

(in Canadian dollars)

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	Notes	2016	2015
		\$	\$
<b>Expenses</b>			
Salaries and employee benefits expense	15.1	1,472,786	566,132
Other operating expenses	17	1,026,396	697,047
Amortization of property and equipment		340	350
Write-off of exploration and evaluation assets		657	2,750
Gain and loss from exchange differences		2,041	1,519
<b>Operating loss</b>		<u>2,502,220</u>	<u>1,267,798</u>
<b>Other income and expenses</b>			
Finance income	18	24,319	18,956
Financial costs	18	(112,298)	(74,153)
Gain on debts settlement		-	17,741
Loss on settlement of installments on due to a company		-	(4,021)
Loss on settlement of installments on due to directors, officers and companies owned by a director or an officer		-	(12,157)
		<u>(87,979)</u>	<u>(53,634)</u>
<b>Loss before income tax</b>		<u>(2,590,199)</u>	<u>(1,321,432)</u>
Deferred income taxes	20	(517)	(18,422)
<b>Total comprehensive loss for the period</b>		<u><u>(2,589,682)</u></u>	<u><u>(1,303,010)</u></u>
<b>Loss per share</b>			
Basic and diluted loss per share	19	<u>(0.02)</u>	<u>(0.01)</u>

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The accompanying notes are an integral part of the consolidated financial statements.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Consolidated Statements of Changes in Equity

December 31, 2016 and 2015

(in Canadian dollars)

	Notes	Share capital \$	Contributed surplus \$	Retained deficit \$	Total equity \$
<b>Balance at January 1<sup>st</sup>, 2015</b>		18,717,584	308,586	(18,275,276)	750,894
Units issued by private placements	14.1	979,054	191,984	-	1,171,038
Units issued by flow-through private placements	14.1	329,835	5,822	-	335,657
Units issued for acquisition of mining rights	14.1	426,000	258,766	-	684,766
Issuance for the payment of accounts payable	14.1	73,350	15,409	-	88,759
Share-based payments		-	119,546	-	119,546
Expiration of options and warrants		-	(35,450)	35,450	-
Issuance cost of units		15,355	9,581	(102,177)	(77,241)
		<u>20,541,178</u>	<u>874,244</u>	<u>(18,342,003)</u>	<u>3,073,419</u>
Net loss and total comprehensive loss for the period		-	-	(1,303,010)	(1,303,010)
<b>Balance at December 31, 2015</b>		<u>20,541,178</u>	<u>874,244</u>	<u>(19,645,013)</u>	<u>1,770,409</u>
Units issued by private placements	14.1	2,676,500	-	-	2,676,500
Units issued by flow-through private placements	14.1	1,101,431	179,369	-	1,280,800
Exercise of warrants	14.1	1,300,952	(86,718)	-	1,214,234
Exercise of broker's options	14.1	22,291	(8,216)	-	14,075
Exercise of broker's warrants	14.1	6,559	(1,365)	-	5,194
Exercise of options	14.1	135,229	(39,729)	-	95,500
Issuance for the payment of accounts payable	14.1	56,500	-	-	56,500
Share-based payments		-	728,791	-	728,791
Expiration of options		-	(81,584)	81,584	-
Issuance cost of units		76,687	23,893	(317,200)	(216,620)
		<u>5,376,149</u>	<u>714,441</u>	<u>(235,616)</u>	<u>5,854,974</u>
Net loss and total comprehensive loss for the period		-	-	(2,589,682)	(2,589,682)
<b>Balance at December 31, 2016</b>		<u>25,917,327</u>	<u>1,588,685</u>	<u>(22,470,311)</u>	<u>5,035,701</u>

The accompanying notes are an integral part of the consolidated financial statements.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Consolidated Statements of Cash Flows

December 31, 2016 and 2015

(in Canadian dollars)

	Notes	2016	2015
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(2,589,682)	(1,303,010)
Adjustments			
Amortization of property and equipment		340	350
Gain on debts settlement		-	(17,741)
Loss on settlement of installments on due to a company		-	4,021
Loss on settlement of installments on due to directors, officers and companies owned by a director or an officer		-	12,157
Share-based payments		728,791	119,546
Deferred income taxes		(517)	(18,422)
Net change in fair value of marketable securities in a quoted company		(10,000)	-
Write-off of exploration and evaluation assets		657	2,750
Amortization updating difference – due to directors, officers and a company owned by a director		13,992	12,246
Amortization updating difference – installments on due to directors, officers and companies owned by a director or an officer		(10,878)	(11,903)
Amortization updating difference- installments on due to a company		(3,441)	(3,208)
Amortization updating difference-royalties payable		44,848	-
Updating difference – due to directors, officers and a company owned by a director		(17,708)	(11,632)
Updating difference – installments on due to directors, officers and companies owned by a director or an officer		4,944	15,144
Updating difference – installments on due to a company		-	4,661
Salaries and employee benefits expense		420,501	294,384
Interest income on installments on due		-	(3,845)
Changes in working capital items	21	(109,473)	(33,740)
Cash flows from operating activities		<u>(1,527,626)</u>	<u>(938,242)</u>
<b>INVESTING ACTIVITIES</b>			
Addition to exploration and evaluation assets		(402,271)	(322,863)
Addition to property and equipment		(1,675,058)	-
Addition to intangible assets		(1,032,635)	-
Tax credits received		13,945	43,191
Acquisition the marketable securities in a quoted company		(190,000)	-
Installments on due to a company		-	(50,000)
Installments on due to directors, officers and companies owned by a director or an officer		(85,000)	(162,500)
Repayment of installments on due to directors, officers and companies owned by a director or an officer		5,230	94,271
Repayment of installments on due to a company		7,000	11,000
Cash flows from investing activities		<u>(3,358,789)</u>	<u>(386,901)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of units by private placements and flow-through private placements		4,118,840	1,525,634
Exercise of warrants		1,214,234	-
Exercise of broker's options		14,075	-
Exercise of broker's warrants		5,194	-
Exercise of options		95,500	-
Repayment of notes payable		(50,000)	-
Issuance cost of units		(216,620)	(77,241)
Cash flows from financing activities		<u>5,181,223</u>	<u>1,448,393</u>
<b>Net change in cash</b>		294,808	123,250
Cash beginning of the period		177,585	54,335
Cash end of the period		<u>472,393</u>	<u>177,585</u>

For additional cash flows information refer to Note 21.

### Cash operations

Interests paid from operating activities	53,458	61,907
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The accompanying notes are an integral part of the consolidated financial statements.

# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

## **Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

(in Canadian dollars)

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### **1. NATURE OF OPERATIONS**

HPQ-Silicon Resources Inc. ("HPQ") and its subsidiary (hereinafter the "Company") specializes in the exploration of gold and quartz in mining sites located in Québec.

### **2. GOING CONCERN AND STATEMENT OF COMPLIANCE WITH IFRS**

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its properties contain mineral deposits that are economically recoverable, the Company has not yet generated income or cash flows from its operations. As at December 31, 2016, the Company has a negative cumulated retained deficit of \$22,470,311 (\$19,645,013 as at December 31, 2015). The current liquidity of the Company are not sufficient to fund its administrative and exploration and evaluation expenses of the next year. These material uncertainties cast a significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and continued support of suppliers and creditors. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

In February and March 2017, the Company completed private financing for a total amount of \$ 2,023,000 and received an amount of \$ 161,000 when warrants were exercised. Refer to note 26 for further details.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

### **3. GENERAL INFORMATION**

HPQ is incorporated under the *Canada Business Corporations Act*. The address of the registered office and its principal place of business is 3000 Omer-Lavallee Street, office 306, Montreal, Quebec, Canada. HPQ shares are listed on the TSX Venture Exchange.

During the Annual General Meeting held on June 22, 2016, the shareholders approved the change of the name of the Company from Uragold Bay Resources Inc. to HPQ-Silicon Resources Inc. This change came to effect on July 4, 2016.

### **4. SUMMARY OF ACCOUNTING POLICIES**

#### **4.1 Overall considerations**

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

#### **4.2 Principle consolidation**

The Company's consolidated financial statements include the accounts of the parent company and its wholly owned subsidiary, Beauce Gold Fields Inc. ("BGF"), incorporated in August 2016 under the Canada Business Corporations Act. and specializes in the exploration of gold. The parent company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to influence these returns through its power over the subsidiary. All intra-group transactions, balances, revenues and expenses are eliminated upon consolidation. BGF's financial reporting date is July 31st.



# **HPQ-Silicon Resources Inc.** (Formerly Uragold Bay Resources Inc.)

## **Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

(in Canadian dollars)

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### **4.3 Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

### **4.4 Financial instruments**

#### **Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured subsequently as described below.

#### **Financial assets**

For the purpose of subsequent measurement, financial assets are classified into the categories loans and receivables and financial assets at fair value through profit or loss upon initial recognition.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within financial costs or finance income, if applicable.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, deposit (in 2015), advance for exploration expenses, installements on due to a company and installements on due to directors, officers and companies owned by a director or an officer belong to this category of financial instruments.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Marketable securities in a quoted company are classified into this category of financial instruments.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

#### *Impairment of financial assets*

All financial assets, except for those at fair value through profit or loss, are reviewed for impairment at least at each reporting date, to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

## **Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

(in Canadian dollars)

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### **Financial liabilities**

The Company's financial liabilities include trade and other payables (excluding salaries and employee benefits expense), notes payable, due to directors, officers and a company owned by a director (excluding salaries and employee benefits expense) and royalties payable.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within financial costs.

### **4.5 Basic and diluted loss per share**

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include stock options, broker's options, broker's warrants, broker's units and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

### **4.6 Tax credits receivable**

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. The tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

### **4.7 Exploration and evaluation assets and exploration and evaluation expenditures**

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal rights to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights and expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase. Exploration and evaluation assets include a land recorded as non-amortizable fixed asset and carried at cost less any accumulated impairment losses.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.10), the difference is then immediately recognized in profit or loss.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(in Canadian dollars)

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### 4.7 Exploration and evaluation assets and exploration and evaluation expenditures (continued)

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.10), and any impairment loss is recognized in profit or loss before reclassification.

Presently, neither the technical feasibility nor commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

#### Disposal of interest in connection with option agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

### 4.8 Property and equipment

Property and equipment are held at cost less accumulated amortization and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Upon the transfer of exploration and evaluation assets to property and equipment under Mining assets under construction, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the mining assets under construction category are then transferred to Mining assets.

Amortization is recognized on a straight-line basis to write the cost to its estimated residual value, with a constant charge over the useful life of the asset. The periods generally applicable are as follows:

	Useful
	<u>life</u>
Computer equipment	3 years

Equipment under construction will be amortized using the straight-line basis over a period of 10 years when it will be ready for use.

# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

## **Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

(in Canadian dollars)

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### **4.8 Property and equipment (continued)**

The amortization expense for each period is recognized in profit or loss except for certain items of property and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project.

The residual value, amortization method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

### **4.9 Intangible assets**

Patents and intellectual property are intangible assets measured at historical cost less accumulated amortization and accumulated impairment losses, if any. The cost of patents consists of the cost of patent applications. The cost of intellectual property is initially comprised of the acquisition cost. Amortization is calculated on a straight-line basis over the estimated useful life of the patent and intellectual property, which is twenty years. The amortization period and amortization method are reviewed annually and adjusted prospectively as required.

### **4.10 Impairment of exploration and evaluation assets, property and equipment and intangible assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- The right to explore the areas has expired or will expire in the near future with no expectation of renewal ;
- No further exploration or evaluation expenditures in the area are planned or budgeted ;
- No commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area ;
- Sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

## **Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

(in Canadian dollars)

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### **4.10 Impairment of exploration and evaluation assets, property and equipment and intangible assets (continued)**

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### **4.11 Assets held for sale**

Non-current assets classified as held for sale are presented separately and are measured at the lower of their carrying amount immediately prior to their classification as held for sale and their fair value less costs to sell.

### **4.12 Provisions and contingent liabilities**

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No provision was recognized in the consolidated statements of financial position at December 31, 2016 and 2015.

### **4.13 Income taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Deferred income tax are calculated using the liability method.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 "Income Taxes" specifies limited exemptions. As a result of these exemptions the Company does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

# **HPQ-Silicon Resources Inc.** (Formerly Uragold Bay Resources Inc.)

## **Notes to Consolidated Financial Statements**

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### **4.13 Income taxes (continued)**

#### **Tax related to flow-through placements**

According to the provisions of tax legislation relating to flow-through placements, the Company has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has fulfilled its obligation to transfer its right, which happens when the Company has incurred eligible expenditures and has renounced or has the intention to renounce to its right to tax deductions, a deferred tax liability is recognized for the taxable temporary difference that arises from difference between the carrying amount of eligible expenditures capitalized in the statement of financial position and its tax basis.

### **4.14 Equity**

Share capital represents the amount received on the issue of shares. If shares are issued when options, broker's options, broker's units or warrants are exercised, the Share capital account also comprises the compensation costs or the value of the stock options, broker's options, warrants or broker's warrants previously recorded as Contributed surplus. In addition, if the shares are issued as consideration for the acquisition of a mineral property and other non-monetary assets, the shares were measured at fair value according to the quoted price on the day of the conclusion of the agreement.

#### **Unit placements**

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to the shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

#### **Flow-through placements**

Issuance of flow-through units represents in substance an issue of common shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through units are allocated between share capital, warrants and the other liabilities using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to the fair value at the date of issuance and the residual proceeds are allocated to the other liabilities. The fair value of the warrants is determined using the Black-Scholes valuation model. The other liabilities recorded initially on the issuance of units is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

#### **Other elements of equity**

Contributed surplus includes charges related to share options, broker's options, broker's units, warrants and broker's warrants until such options and warrants are exercised. When they are cancelled or expired, the related compensation cost is transferred in decrease of retained deficit. When options and warrants are exercised, the related compensation cost is transferred to share capital.

Retained deficit includes all current and prior period retained profits or losses, plus issuance costs, net of any underlying income tax benefit from these issuance costs and compensation related to options and warrants cancelled or expired, transferred from Contributed surplus.

# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

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### **4.15 Equity-settled share-based payments**

The Company operates equity-settled share-based payment plan for its eligible directors, officers, employees and consultants. The Company's plan do not feature any option for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services rendered by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except broker's warrants, unit broker's and broker's options) are ultimately recognized as an expense in profit or loss or capitalized as exploration and evaluation assets, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment was made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

### **4.16 Segmental reporting**

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

### **4.17 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

### ***IFRS 9, Financial Instruments***

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. This new standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet assessed the impact of this new standard on its consolidated financial statements.

# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

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### **5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

#### **5.1 Significant management judgments**

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

##### **Recognition of deferred income tax assets and measurement on income tax expense**

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 4.13).

##### **Going concern**

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

#### **5.2 Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Actual results may be substantially different.

##### **Impairment of exploration and evaluation assets**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in any cases (see Note 4.10).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See Note 9 for the exploration and evaluation assets impairment analysis.

During the period, the Company recognized to profit or loss a write-off of exploration and evaluation assets of \$657 (\$2,750 for the year ended December 31, 2015). No reversal of impairment losses has been recognized for the reporting periods.



# **HPQ-Silicon Resources Inc.** (Formerly Uragold Bay Resources Inc.)

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### **5.2 Estimation uncertainty (continued)**

The remaining properties have not been tested for impairment as the Company has the ability to retain properties as it has sufficient financial resources to meet its short-term obligations and expenditures are programmed over Future exercises. The rights to prospect for these properties will not expire in the near future and work has been carried out on these properties over the past three years.

#### **Impairment of property, plant and equipment and intangible assets**

An assessment of the facts and circumstances demonstrating the existence of any indication that an asset may have depreciated or recovered is a subjective process that involves judgment and often a number of estimates and assumptions.

In assessing impairment, management estimates the recoverable amount of each cash-generating asset or unit based on future cash flows and uses an interest rate to discount them. The uncertainty in the estimates is related to assumptions about future operating results and the determination of an appropriate discount rate. In 2016, no impairment was recorded on property, equipment and intangible assets.

#### **Share-based payments**

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options, broker's options, broker's units, broker's warrants and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Notes 14.3, 14.4, 14.5 and 15.2).

#### **Provisions and contingent liabilities**

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability and provisions involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty (see Note 25).

#### **Tax credits receivable**

The calculation of the Company's refundable tax credit on qualified exploration expenditure incurred and refundable tax credit involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit and refundable tax credit, exploration and evaluation assets, and income tax expense in future periods. See Note 4.6 for more information.

### **6. DEPOSIT**

On September 28, 2015, the Company finalized its development and of exclusive rights agreement with PyroGenesis Canada Inc. ("PyroGenesis"). In 2015, in payment of the minimum royalties planned for the year 2016 of \$50,000, the Company issued 1,000,000 units for a total value of \$50,409. As at December 31, 2015, an amount of \$409 was recorded as loss on debts settlement. (See Note 25 for more information).

# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

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### **7. ASSETS HELD FOR SALE**

In March 2017, HPQ agreed to sell its Beauce Placer project to its subsidiary BGF, including the land and the note payable on this land. These transfers must be in consideration of BGF's issuance of 25,000,000 common shares of its capital stock at a price of \$0.10 per share.

The Company has also agreed to grant to BGF a right to prospect and extract base and precious metals, other than quartz, from its Roncevaux property in consideration of a 5% NSR royalty and the issuance of 100,000 common shares by BGF, at a price of \$0.10 per share. BGF will be able to purchase 4% of the NSR by paying HPQ \$4,000,000 in cash.

These transactions are subject to a notice of acceptance to be issued by the TSX Venture Exchange.

BGF has begun the process of listing on the Canadian Securities Exchange ("CSE") and is considering entering into a minimum funding of \$400,000. HPQ expects to distribute approximately 80% of the shares it has received from BGF to its shareholders, based on the approval already received from its shareholders at its annual meeting in June 2016.

The carrying value of the exploration and evaluation assets included in this transaction has been reclassified under the Assets held for sale category in the near term, for a total amount of \$1,908,339: See Note 9 for further details.

### **8. INSTALLMENTS ON DUE TO A COMPANY, TO DIRECTORS, OFFICERS AND COMPANIES OWNED BY A DIRECTOR OR AN OFFICER AND DUE TO DIRECTORS, OFFICERS AND A COMPANY OWNED BY A DIRECTOR**

Installments on due are the amounts paid by the Company on the payments due to a company, to directors, officers and companies owned by a director or an officer. These installments have a total nominal value of \$482,000 (\$99,000 to a company and \$383,000 to directors, officers and companies owned by a director or an officer; \$409,231 at December 31, 2015 of which \$106,000 to a company and \$303,231 to directors, officers and companies owned by a director or an officer) and for tax purpose, a 1% interest have been raised to these amounts (effective rate of 3%). On December 23, 2015, the parties have agreed that installments on due are without interest (effective rate of 3%) and a total amount of \$16,178 (including \$3,845 related to real interest) was recorded as loss on settlement of installments on due. Creditors have until December 23, 2018 to determine how they wish that the installments on due had to be compensated otherwise compensation must inevitably be made at that time.

The Company due to directors, officers and a company owned by a director salaries and remuneration for a nominal value of \$1,243,141 (\$822,640 at December 31, 2015). The Company has obtained confirmation for said nominal value of \$1,243,141 debts, that they will not request payment thereof prior to 12 months plus one day following December 31, 2016. These amounts are classified as non-current liabilities and presented as due to directors, officers and a company owned by a director.

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### 9. EXPLORATION AND EVALUATION ASSETS

	Balance at January 1st, 2016	Additions	Tax credits	Write-off	Assets held for sale (note 7)	Balance at December 31, 2016
	\$	\$	\$	\$	\$	\$
<b>Québec</b>						
<i>Property Roncevaux</i>						
Mining rights	8,214	1,005	-	-	-	9,219
Exploration and evaluation expenses	59,255	30,005	3,476	-	-	92,736
	<u>67,469</u>	<u>31,010</u>	<u>3,476</u>	<u>-</u>	<u>-</u>	<u>101,955</u>
<i>Property Martinville</i>						
Mining rights	440	-	-	-	-	440
Exploration and evaluation expenses	48,946	209,775	2,114	-	-	260,835
	<u>49,386</u>	<u>209,775</u>	<u>2,114</u>	<u>-</u>	<u>-</u>	<u>261,275</u>
<i>Property Carrière Montpetit</i>						
Mining rights	440	-	-	-	-	440
Exploration and evaluation expenses	4,791	-	335	-	-	5,126
	<u>5,231</u>	<u>-</u>	<u>335</u>	<u>-</u>	<u>-</u>	<u>5,566</u>
<i>Property Drucourt</i>						
Mining rights	658	-	-	-	-	658
Exploration and evaluation expenses	49,168	76,248	2,943	-	-	128,359
	<u>49,826</u>	<u>76,248</u>	<u>2,943</u>	<u>-</u>	<u>-</u>	<u>129,017</u>
<i>Property Malvina</i>						
Mining rights	220	-	-	-	-	220
Exploration and evaluation expenses	4,791	-	335	-	-	5,126
	<u>5,011</u>	<u>-</u>	<u>335</u>	<u>-</u>	<u>-</u>	<u>5,346</u>
<i>Property Silica-other</i>						
Mining rights	40,471	749	-	(657)	-	40,563
Exploration and evaluation expenses	-	12,125	126	-	-	12,251
	<u>40,471</u>	<u>12,874</u>	<u>126</u>	<u>(657)</u>	<u>-</u>	<u>52,814</u>

**HPQ-Silicon Resources Inc.** (Formerly Uragold Bay Resources Inc.)

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**9. EXPLORATION AND EVALUATION ASSETS (continued)**

	Balance at January 1st, 2016	Additions	Tax credits	Write-off	Assets held for sale (note 7)	Balance at December 31, 2016
	\$	\$	\$	\$	\$	\$
<i>Property other</i>						
Mining rights	15,225	-	-	-	-	15,225
<i>Property Other- Beauce</i>						
Mining rights	58,772	2,400	-	-	-	61,172
<i>Property Bellechasse-Timmins Gold</i>						
Mining rights	101,112	-	-	-	-	101,112
Exploration and evaluation expenses	35,261	-	1,928	-	-	37,189
	<u>136,373</u>	<u>-</u>	<u>1,928</u>	<u>-</u>	<u>-</u>	<u>138,301</u>
<i>Property Beauce Placer</i>						
Mining rights	850,439	59,405	-	-	(909,844)	-
Exploration and evaluation expenses	832,637	3,910	8,198	-	(844,745)	-
Land	153,750	-	-	-	(153,750)	-
	<u>1,836,826</u>	<u>63,315</u>	<u>8,198</u>	<u>-</u>	<u>(1,908,339)</u>	<u>-</u>
<i>Summary</i>						
Mining rights	1,075,991	63,559	-	(657)	(909,844)	229,049
Exploration and evaluation expenses	1,034,849	332,063	19,455	-	(844,745)	541,622
Land	153,750	-	-	-	(153,750)	-
	<u>2,264,590</u>	<u>395,622</u>	<u>19,455</u>	<u>(657)</u>	<u>(1,908,339)</u>	<u>770,671</u>

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

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### 9. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1st, 2015	Additions	Tax credits	Write-off	Balance at December 31, 2015
	\$	\$	\$	\$	\$
<b>Québec</b>					
<i>Property Bellechasse-Timmis Gold</i>					
Mining rights	67,000	34,112	-	-	101,112
Exploration and evaluation expenses	16,120	24,551	(5,410)	-	35,261
	<u>83,120</u>	<u>58,663</u>	<u>(5,410)</u>	<u>-</u>	<u>136,373</u>
<i>Property Beauce Placer</i>					
Mining rights	207,246	643,193	-	-	850,439
Exploration and evaluation expenses	790,203	52,360	(9,926)	-	832,637
Land	153,750	-	-	-	153,750
	<u>1,151,199</u>	<u>695,553</u>	<u>(9,926)</u>	<u>-</u>	<u>1,836,826</u>
<i>Property Other- Beauce</i>					
Mining rights	705	58,067	-	-	58,772
<i>Property Drucourt</i>					
Mining rights	548	110	-	-	658
Exploration and evaluation expenses	6,354	46,029	(3,215)	-	49,168
	<u>6,902</u>	<u>46,139</u>	<u>(3,215)</u>	<u>-</u>	<u>49,826</u>
<i>Property Roncevaux</i>					
Mining rights	492	7,722	-	-	8,214
Exploration and evaluation expenses	6,580	56,655	(3,980)	-	59,255
	<u>7,072</u>	<u>64,377</u>	<u>(3,980)</u>	<u>-</u>	<u>67,469</u>
<i>Property Malvina</i>					
Mining rights	110	110	-	-	220
Exploration and evaluation expenses	5,486	-	(695)	-	4,791
	<u>5,596</u>	<u>110</u>	<u>(695)</u>	<u>-</u>	<u>5,011</u>
<i>Property Martinville</i>					
Mining rights	219	221	-	-	440
Exploration and evaluation expenses	5,486	46,030	(2,570)	-	48,946
	<u>5,705</u>	<u>46,251</u>	<u>(2,570)</u>	<u>-</u>	<u>49,386</u>

**HPQ-Silicon Resources Inc.** (Formerly Uragold Bay Resources Inc.)**Notes to Consolidated Financial Statements**

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**9. EXPLORATION AND EVALUATION ASSETS (continued)**

	Balance at January 1st, 2015	Additions	Tax credits	Write-off	Balance at December 31, 2015
	\$	\$	\$	\$	\$
<i>Property Carriere Montpetit</i>					
Mining rights	219	221	-	-	440
Exploration and evaluation expenses	5,486	-	(695)	-	4,791
	<u>5,705</u>	<u>221</u>	<u>(695)</u>	<u>-</u>	<u>5,231</u>
<i>Property Silica-other</i>					
Mining rights	2,135	39,486	-	(1,150)	40,471
Exploration and evaluation expenses	1,950	-	(350)	(1,600)	-
	<u>4,085</u>	<u>39,486</u>	<u>(350)</u>	<u>(2,750)</u>	<u>40,471</u>
<i>Property other</i>					
Mining rights	-	15,225	-	-	15,225
<i>Summary</i>					
Mining rights	278,674	798,467	-	(1,150)	1,075,991
Exploration and evaluation expenses	837,665	225,625	(26,841)	(1,600)	1,034,849
Land	153,750	-	-	-	153,750
	<u>1,270,089</u>	<u>1,024,092</u>	<u>(26,841)</u>	<u>(2,750)</u>	<u>2,264,590</u>

All write-offs are included within Write-off of exploration and evaluation assets in profit or loss.

During the period, management written-off mining rights for the property Silica-other for following reason: abandon of mining claims.

During the last year, management written-off mining rights and exploration and evaluation expenses for the property Silica-other for following reason: abandon of mining claims.

# **HPQ-Silicon Resources Inc.** (Formerly Uragold Bay Resources Inc.)

## **Notes to Consolidated Financial Statements**

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### **9. EXPLORATION AND EVALUATION ASSETS (continued)**

#### **Québec**

##### ***Property Bellechasse-Timmins Gold***

On April 9, 2014, the Company signed an option and joint venture agreement with Golden Hope Mines Limited (“GNH”) concerning the acquisition of a 50 % interest in the Bellechasse-Timmins Gold Deposit, located in the Beauce region. In order to acquire the first 30 % interest, the Company will incur costs estimated at \$400,000 relating to various works, reports and obtaining certain ministerial authorization.

- 1) NI 43-101 Resources estimate Revision;
- 2) An economic assessment;
- 3) An environmental audit;
- 4) Obtaining required authorisations;
- 5) Obtaining a certificate of authorisation (C.A.);
- 6) A land survey;
- 7) A reclamation and restoration plan;
- 8) A mining lease for the operation of a small mine of up to 600 metric tons of mineral per day.

The Company may acquire an additional interest of 20 %, for a total of 50 %, by obtaining, within 120 days of the end of the first option, the necessary funding at the beginning of commercial production of the property.

During the last quarter of the year 2015, a dispute occurred between the Company and GNH on the question of an extension of time for which the Company believes to be entitled under the agreement between the parties. To safeguard and protect its rights, the Company submitted to the Court a request for injunction against GNH with the conclusions as an extension of a period of 18 months to carry out the planned work, decision by GNH adequate measures to preserve existing technical and geological information on the gold deposit, the prohibition for GNH an agreement with anyone, except for the Company for the operation of the deposit that has the effect, directly or indirectly, affect the rights of the Company and the prohibition to alienate or GNH directly or indirectly diminish the rights that the Company has on the deposit. In 2017, an agreement was reached between the parties. See Note 26 for details.

##### ***Property Beauce Placer***

The Company holds a 100 % interest in 23 claims. During the last year, the Company purchased the royalty of 3.5% NSR on 5 claims for the amount of \$50,000 in cash.

On October 8, 2014, the Company signed a definitive agreement transaction with Fancamp Exploration Ltd. for the purchase of 29 claims located in the municipality of Saint-Simon-les-Mines in the region of Beauce in Quebec. Following the approval of regulatory authorities on January 22, 2015, the Company issued 8 M units (for a total value of \$591,762), each unit consisting of one common share and one warrant. For more details, refer to Note 14.1 (a).

# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

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### **9. EXPLORATION AND EVALUATION ASSETS (continued)**

#### ***Property Beauce Placer (continued)***

Under this agreement, the Company shall perform exploration work over a period of 4 years for an amount of \$400,000 allocated as follows: \$50,000 for the first 15 months, \$75,000 for the second year, \$100,000 for the third year and \$175,000 for the fourth year. Also the Company has committed to pay Fancamp Exploration Ltd a royalty of 3.5 % for the duration of the production of gold, as well as, an amount of \$500,000 at the beginning of the production. In March 2016, the Company paid \$25,000 in cash under the terms of the agreement.

Moreover, the Company must assume the payment to a third party of a royalty of 1.5 % of which, at the option of the Company, 1 % will be redeemable for an amount of \$1,000,000.

On October 13, 2016, the Company signed an amended agreement with Fancamp concerning the exploration performance clause stipulated in the agreement dated October 8, 2014. According to this amendment, the exploration clause expires and therefore the Company is no longer required to perform such work.

After the end of the fiscal year, an agreement was reached with the subsidiary of the Company for the sale of this property. See the terms of the sale in Note 7.

#### ***Property Other-Beauce***

On February 24, 2015, the Company acquired 5 claims, (the Morin property located in the city of Saint-Augustin-de Woburn) by the issuance of 1,100,000 units (for a total amount of \$56,951). Each unit is consisting of one common share and one half warrant. For more details, refer to Note 14.1 (d).

#### ***Property Drucourt***

The Company holds a 100 % interest acquired by staking 8 claims.

#### ***Property Roncevaux***

The Company holds a 100 % interest acquired by staking 36 claims (9 claims as at December 31, 2015).

#### ***Property Malvina***

The Company holds a 100 % interest acquired by staking 2 claims.

#### ***Property Martinville***

The Company holds a 100 % interest acquired by staking 4 claims.

#### ***Property Carrière Montpetit***

The Company holds a 100 % interest acquired by staking 4 claims.

#### ***Property Silica-other***

On March 5, 2015 the Company acquired 8 claims by the issuance of 400,000 units (for a total amount of \$36,053). Each unit is consisting of one common share and one warrant. For more details, refer to Note 14.1 (e).

Also, the Company holds a 100 % interest acquired by staking 39 claims.

#### ***Property Other***

On December 22, 2015, the Company acquired a 100 % interest in 4 claims (Châteaux Richer property, located in the township of Côte de Beaupré).



# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

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### 10. PROPERTY AND EQUIPMENT

Property and equipment of the Company are composed of computer equipment and assets under construction. The carrying amount is set out as follows:

	Computer equipment	Property and equipment Equipment under construction	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance at January 1 <sup>st</sup> , 2016	-	-	-
Additions	3,058	1,672,000	1,675,058
Balance at December 31, 2016	3,058	1,672,000	1,675,058
<b>Accumulated depreciation and impairment</b>			
Balance at January 1, 2016	-	-	-
Depreciation	340	-	340
Balance at December 31, 2016	340	-	340
<b>Carrying amount at December 31, 2016</b>	<b>2,718</b>	<b>1,672,000</b>	<b>1,674,718</b>

All depreciation and amortization expenses are presented in Amortization of property and equipment.

### 11. INTANGIBLE ASSETS

The Company acquired the technology PUREVAP™ for the transformation of quartz into silicon metal high purity. Pursuant to the purchase agreement, the Company is committed to pay to the seller the greater of an annual royalty equal to 10% of the net revenues (as defined in the agreement) generated from the exploitation of the acquired technology or the minimum annual amounts per the agreement. The minimum annual amounts under the agreement are as follows:

	\$
2016	50,000
2018	150,000
2019	200,000
2020 and after	250,000

Intellectual property and its related liability, royalties payable, were recognized upon acquisition for a total amount of \$815,427 and were calculated based on estimated cash flows under the agreement over a period 20 years at a rate of 22%. The amount of \$50,000 recorded as a deposit in 2015 was reversed at the cost of intellectual property. During the year, an amount of \$1,000,000 paid in cash was also recorded at the cost of intellectual property.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

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### 11. INTANGIBLE ASSETS (continued)

The company's intangible assets include patents and intellectual property. The carrying amount is as follows:

	Patents	Intangible assets Intellectual property	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance at January 1 <sup>st</sup> , 2016	-	-	-
Additions	32,635	1,865,427	1,898,062
Balance at December 31, 2016	<u>32,635</u>	<u>1,865,427</u>	<u>1,898,062</u>
<b>Accumulated depreciation and impairment</b>			
Balance at January 1, 2016 and at December 31, 2016	-	-	-
<b>Carrying amount at December 31, 2016</b>	<u>32,635</u>	<u>1,865,427</u>	<u>1,898,062</u>

All amortization expense will be reported in Amortization of intangible assets at the time the technology will be ready to be used.

### 12. TRADE AND OTHER PAYABLES

	December 31, 2016	December 31, 2015
	\$	\$
Trade accounts	317,097	269,713
Other	<u>76,781</u>	<u>76,781</u>
	<u>393,878</u>	<u>346,494</u>

### 13. NOTES PAYABLE

On February 6, 2012, the Company signed an estate mortgage to secure a loan for a sum of \$180,000 bearing interest at compound rate of 25 % annually and secured by the land on Beauce Placer's property. On June 30, 2014, the Company has signed a new note payable for an amount of \$50,000 on unpaid interests on capital. On January 6, 2015, the Company deferred the term of the notes payable of \$230,000 until February 6, 2017. The Company is currently in discussion to extend the notes payable by several months as these will be transferred to BGF upon completion of the transaction (see Note 7 for further details). During the period, the Company repaid the note payable of \$50,000.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

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### 14. EQUITY

#### 14.1 Share capital

The share capital of the Company consists only of common shares and an unlimited number of shares without par value. All shares are participating and are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholder's meeting of HPQ.

	December 31, 2016	December 31, 2015
	Number of shares	Number of shares
Shares issued at the beginning	110,544,431	68,790,576
Private placements (b) (g) (j) (m) (n) (r) (v)	19,948,211	23,420,750
Flow-through private placements (f) (h) (q) (u)	7,055,674	6,447,196
Acquisition of mining rights (a) (d) (e)	-	9,500,000
Issuance for the payment of issuance cost of units (f) (p)	356,686	255,909
Issuance for the payment of accounts payable (c) (i) (k) (o) (s)	420,340	1,847,500
Exercise of warrants	14,792,345	-
Exercise of broker's options	255,909	-
Exercise of broker's warrants	87,460	-
Exercise of options	1,150,000	-
Total shares issued and fully paid	154,611,056	110,262,931
Shares to be issued (l) (t)	88,280	282,500
Total shares at the end	154,699,336	110,544,431

- (a) On January 22, 2015, the Company issued 8,000,000 units (for a total value of \$591,762) for the acquisition of 32 claims (Beauce Placer property). Each unit consisting of one common share and one warrant. Each warrant shall entitle the seller to purchase one additional common share of the Company at a price \$0.20 per share during the first 24 months from the date of issuance of units, at the price of \$0.30 from the start of the 25th month until the end of the 48th month, and at a price of \$0.40 per share at the start of the 49th month until the end of the 60th month. An amount of \$231,762 related to the warrants was recorded as an increase in contributed surplus.
- (b) On February 13, 2015, the Company completed a private placement for a total amount of \$164,500. The Company issued 3,290,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. An amount of \$49,350 related to warrants was recorded as an increase in contributed surplus.
- (c) On February 24, 2015, the Company has settled a debt supplier of \$14,125 by the issuance of 282,500 common shares. An amount of \$4,025 was recorded in profit or loss as gain on debts settlement.
- (d) On February 24, 2015 the Company acquired 5 claims, (the Morin property located in the city of Saint-Augustin-de Woburn) by the issuance of 1,100,000 units (for a total amount of \$56,951). Each unit is consisting of one common share and one half warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. An amount of \$12,951 related to warrants was recorded as an increase of contributed surplus.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(in Canadian dollars)

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### 14.1 Share capital (continued)

(e) On March 5, 2015 the Company acquired 8 claims (property Silica-other) by the issuance of 400,000 units (for a total amount of \$36,053). Each unit is consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. An amount of \$14,053 related to warrants was recorded as an increase of contributed surplus.

(f) On May 25, 2015, the Company completed a private financing for a total amount of \$286,505. The Company issued 5,209,184 units consisting of one flow-through share and one half warrant. Each full warrant entitles the holder thereof to subscribe for an equivalent number of common shares of the Company at a price of \$0.10 per share, during a period of 24 months following the closing of the financing. No amount related to warrant was recorded.

In addition, as commission costs, the Company issued to the agent 255,909 common shares (for an amount of \$15,355) and 255,909 broker's options (for an amount of \$8,216). Each broker's option entitles the holder to subscribe to one common share of the Company at a price of \$0.055 per share for a period of 24 months from the date of the closing of the financing.

(g) On June 16, 2015, the Company completed a private placement for a total amount of \$255,788. The Company issued 5,115,750 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. An amount of \$25,579 related to warrants was recorded as an increase of contributed surplus.

(h) On July 21, 2015, the Company completed a private financing for a total amount of \$68,091. The Company issued 1,238,012 units consisting of one flow-through share and one half warrant. Each full warrant entitles the holder thereof to subscribe for an equivalent number of common shares of the Company at a price of \$0.10 per share, during a period of 24 months following the closing of the financing. An amount of \$5,822 related to warrants was recorded as an increase of contributed surplus and an amount of \$18,939 related to liability component was recorded in the consolidated statement of financial position.

In addition, as commission costs, the Company issued to the agent 61,900 broker's warrant (for an amount of \$880). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.055 per share for a period of 24 months from the date of closing of the financing.

(i) On August 24, 2015, the Company has settled a debt supplier of \$28,250 by the issuance of 565,000 common shares. An amount of \$8,475 was recorded in profit or loss as gain on debts settlement.

(j) On August 31, 2015, the Company completed a private placement for a total amount of \$330,950. The Company issued 6,619,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. An amount of \$33,095 related to warrants was recorded as an increase of contributed surplus.

(k) On October 21, 2015, the Company issued 1,000,000 units composed of one common share and one warrant for a net value of \$50,409 related to a debt settlement with PyroGenesis (See Note 25 for more information). Each warrant entitles the holder thereof to acquire one common share of the Company at a price \$0.07 per share during 36 months. An amount of \$15,409 related to warrants was recorded as an increase of contributed surplus, \$50,000 as deposit in the consolidated statement of financial position and an amount of \$409 was recorded in profit or loss as gain on debts settlement.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(in Canadian dollars)

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### 14.1 Share capital (continued)

(l) On December 17, 2015, the Company has settled a debt supplier of \$14,125 by the issuance of 282,500 common shares. An amount of \$5,650 was recorded in profit or loss as gain on debts settlement. Shares were issued in 2016.

(m) On December 24, 2015, the Company completed a private placement for a total amount of \$419,800. The Company issued 8,396,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share, during a period of 36 months following the closing of the financing. An amount of \$83,960 related to warrants was recorded as an increase of contributed surplus.

In addition, as commission costs, the Company issued to the agent 25,560 broker's warrants (for an amount of \$485). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.07 per share for a period of 36 months from the date of closing of the financing.

(n) On February 29, 2016, the Company completed a private placement for a total amount of \$350,000. The Company issued 4,375,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.12 per share, during a period of 36 months following the closing of the financing. No amount related to warrants was recorded.

(o) On May 4, 2016, the Company has settled a debt supplier of \$28,250 by the issuance of 370,780 common shares. No profit or loss was recorded on this transaction.

(p) On July 7, 2016, the Company completed a private financing for a total amount of \$868,000. The Company issued 6,200,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.25 per share, during a period of 24 months following the closing of the financing. No amount related to warrants was recorded.

In addition, as commission costs, the Company issued to the agent 356,686 common shares (for an amount of \$76,687) and 89,172 broker's options (for a value of \$11,078). Each broker's option entitles the holder to subscribe to one common share of the Company at a price of \$0.14 per share for a period of 24 months from the date of closing of the financing.

(q) On July 7, 2016, the Corporation completed a private financing for a total amount of \$192,340. The Company issued 1,373,856 flow-through share. No amount related to the liability component was recorded.

(r) On September 7, 2016, the Company completed a private financing for a total amount of \$555,750. The Company issued 2,925,000 units consisting of one common share and one half warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.35 per share, during a period of 18 months following the closing of the financing. No amount related to warrants was recorded.

In addition, as commission costs, the Company issued to the agent 86,000 broker's units (for an amount of \$10,888). Each unit is composed of one common share and one half warrant. Each broker's units entitles the holder to acquire one common share of the Company at a price of \$ 0.19 per share and each warrant entitles the holder to subscribe to one common shares of the Company at a price of \$ 0.35 per share, for 18 months following the closing of the financing.

(s) On October 7, 2016, the Company has settled a debt supplier of \$14,125 by the issuance of 49,560 common shares. No profit or loss was recorded on this transaction.

# **HPQ-Silicon Resources Inc.** (Formerly Uragold Bay Resources Inc.)

## **Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

(in Canadian dollars)

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### **14.1 Share capital (continued)**

- (t) On October 15, 2016, the Company has settled a debt supplier of \$14,125 by the issuance of 88,280 common shares. No profit or loss was recorded on this transaction. The common shares are to be issued on December 31, 2016.
  
- (u) On October 31, 2016, the Company completed a private financing for a total amount of \$1,250,000. The Company issued 5,681,818 units consists of one flow-through share and one half warrant. Each full warrant entitles the holder thereof to subscribe for an equivalent number of common shares of the Company at a price of \$0.30 per share, during a period of 24 months following the closing of the financing. An amount of \$179,369 related to the warrants was recorded as an increase of contributed surplus and an amount of \$161,540 related to liability component was recorded in the consolidated statement of financial position.

In addition, as commission fees, the Company recorded an amount of \$87,500 as units issue costs.

- (v) On December 23, 2016, the Company completed a private financing for a total amount of \$902,750. The Company issued 6,448,211 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.25 per share, during a period of 24 months following the closing of the financing. No profit or loss was recorded on this transaction.

In addition, as commission costs, the Company issued to the agent 35,440 broker's warrants (for a value of \$1,927). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.25 per share for a period of 24 months from the date of closing of the financing.

During the period ended December 31, 2016, 14,792,345 common shares were issued following the exercise of warrants. The weighted average share price at the exercise was \$0.08 per share.

During the period ended December 31, 2016, 255,909 common shares were issued following the exercise of broker's options. The weighted average share price at the exercise was \$0.055 per share.

During the period ended December 31, 2016, 87,460 common shares were issued following the exercise of broker's warrants. The weighted average share price at the exercise was \$0.06 per share.

During the period ended December 31, 2016, 1,150,000 common shares were issued following the exercise of option. The weighted average share price at the exercise was \$0.08 per share.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(in Canadian dollars)

### 14.2 Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares, as follows:

	December 31, 2016		December 31, 2015	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	\$	\$	\$	\$
Balance, beginning of reporting year	50,862,681	-	23,173,749	0.11
Granted	-	-	8,000,000	0.20 to 0.40 <sup>(1)</sup>
	21,326,620	0.24	25,594,348	0.10
Exercised	(14,792,345)	0.08	-	-
Expired	-	-	(8,905,416)	0.10
Balance, end of reporting period	<u>57,396,956</u>	<u>-</u>	<u>50,862,681</u>	<u>-</u>

(1) See Note 14.1 (a)

The weighted average fair value of \$0.063 (\$0.184 as at December 31, 2015) of the warrants granted with flow-through private financings and property acquisitions (property acquisitions and debts settlement as at December 31, 2015) was estimated on the grant date using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2016	2015
Average share price at date of grant	\$ 0.16	\$0.071
Expected Dividends yield	0 %	0 %
Expected weighted volatility	104 %	109 %
Average risk-free interest rate	0.71 %	0.52 %
Expected average life	2.00 years	3.97 years
Average exercise price at date of grant	\$0.30	\$0.16

The underlying expected volatility was determined by reference to historical data the Company shares over the expected average life of the warrants.

**HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)****Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

(in Canadian dollars)

**14.2 Warrants (continued)**

Outlined below are the outstanding warrants which could be exercised for an equivalent number of common shares:

Expiration date	December 31, 2016		December 31, 2015	
	Number	Exercise price	Number	Exercise price
		\$		\$
May 2016	-	-	100,000	0.10
July 2016	-	-	3,333,333	0.10
May 2017	231,817	0.10	2,604,592	0.10
July 2017	232,769	0.10	619,006	0.10
December 2017	7,175,000	0.07	10,835,000	0.07
February 2018	2,700,000	0.07	3,840,000	0.07
March 2018	-	-	400,000	0.07
March 2018	1,462,500	0.35	-	-
June 2018	4,615,750	0.07	5,115,750	0.07
July 2018	6,200,000	0.25	-	-
August 2018	5,959,000	0.07	6,619,000	0.07
October 2018	-	-	1,000,000	0.07
October 2018	2,840,909	0.30	-	-
December 2018	7,156,000	0.07	8,396,000	0.07
December 2018	6,448,211	0.25	-	-
February 2019	4,375,000	0.12	-	-
January 2020	8,000,000	0.20 to 0.40	8,000,000	0.20 to 0.40
	<u>57,396,956</u>	<u>-</u>	<u>50,862,681</u>	<u>-</u>

**14.3 Broker's options**

Outstanding broker's options entitle their holder to subscribe to an equivalent number of common shares, as follows:

	December 31, 2016		December 31, 2015	
	Options number	Weighted average exercise prices	Options number	Weighted average exercise prices
		\$		\$
Balance, beginning of reporting year	255,909	0.055	-	-
Granted	89,172	0.14	255,909	0.055
Exercised	(255,909)	0.055	-	-
Balance, end of reporting period	<u>89,172</u>	<u>0.14</u>	<u>255,909</u>	<u>0.055</u>



# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(in Canadian dollars)

### 14.3 Broker's options (continued)

For the reporting period, the Company recorded an amount of \$11,078 (\$8,216 as at December 31, 2015) as shareholders' equity instruments when broker's options were issued and was recorded as an increase to contributed surplus and a decrease to retained deficit.

The weighted average fair value \$0.124 (\$0.032 as at December 31, 2015) of the broker's options granted was estimated on the grant date using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2016	2015
Average share price at date of grant	\$0.20	\$0.06
Expected dividends yield	0 %	0 %
Expected weighted volatility	104 %	98 %
Average risk-free interest rate	0.68 %	0.46 %
Expected average life	2 years	2 years
Average exercise price at date of grant	\$0.14	\$0.055

The underlying expected volatility was determined by reference to historical data the Company shares over the expected average life of the agent's options.

Outlined below are the outstanding broker's options which could be exercised for an equivalent number of common shares:

Expiration date	December 31, 2016		December 31, 2015	
	Number	Exercise price \$	Number	Exercise price \$
May, 2017	-	-	255,909	0.055
July, 2018	89,172	0.14		
	<u>89,172</u>	<u>0.14</u>	<u>255,909</u>	<u>0.055</u>

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(in Canadian dollars)

### 14.4 Broker's warrants

Outstanding the broker's warrants entitle their holder to subscribe to an equivalent number of common shares, as follows:

	December 31, 2016		December 31, 2015	
	Options number	Weighted average exercise prices	Options number	Weighted average exercise prices
		\$		\$
Balance, beginning of reporting year	87,460	0.059	-	-
Granted	35,440	0.25	87,460	0.059
Exercised	(87,460)	0.059	-	-
Balance, end of reporting year	<u>35,440</u>	<u>0.25</u>	<u>87,460</u>	<u>0.059</u>

For this period, the Company recorded an amount of \$1,927 (\$1,365 as at December 31, 2015) as shareholders' equity instruments when the broker's warrants were issued and was recorded as an increase to contributed surplus and a decrease to retained deficit.

The weighted average fair value \$0.054 ( \$0.015 as at December 31, 2015) of the broker's warrants granted was estimated on the grant date using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2016	2015
Average share price at date of grant	\$0.135	\$0.036
Expected Dividends yield	0 %	0 %
Expected weighted volatility	105 %	97 %
Average risk-free interest rate	0.71 %	0.87 %
Expected average life	2.00 years	2.29 years
Average exercise price at date of grant	\$0.25	\$0.06

The underlying expected volatility was determined by reference to historical data the Company shares over the expected average life of the broker's warrants.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

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### 14.4 Broker's warrants (continued)

Outlined below are the outstanding broker's warrants which could be exercised for an equivalent number of ordinary shares:

Expiration date	December 31, 2016		December 31, 2015	
	Number	Exercise price	Number	Exercise price
		\$		\$
July, 2017	-	-	61,900	0.055
December, 2018	-	-	25,560	0.07
December, 2018	35,440	0.25	-	-
	<u>35,440</u>	<u>0.25</u>	<u>87,460</u>	<u>0.059</u>

### 14.5 Broker's units

Broker's units entitle the holder to subscribe for an exercise price of \$0.19 to an equivalent number of units. Each unit is composed of one common share and one-half warrant. Each broker's unit entitles the holder to acquire one common share of the Company at a price of \$0.19 per share and each warrant entitles the holder to subscribe to one common shares of the Company at a price of \$0.35 per share, for 18 months following the closing of the financing.

Broker's units are detailed as follows:

	December 31, 2016	
	Options number	Weighted average exercise prices
		\$
Balance, beginning of reporting year	-	-
Granted	86,000	0.19
Balance, end of reporting year	<u>86,000</u>	<u>0.19</u>

For the year, the Company recorded an amount of \$10,988 (Nil as at December 31, 2015) as issuance cost of equity instruments when the broker's units were and was recorded as an increase to contributed surplus and a decrease to retained deficit.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(in Canadian dollars)

### 14.5 Broker's units (continued)

The weighted average fair value of \$0.084 of the broker's units granted was estimated on the grant date using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2016
Average share price at date of grant	\$0.19
Expected Dividends yield	0 %
Expected weighted volatility	104 %
Average risk-free interest rate	0.68 %
Expected average life	1.5 years
Average exercise price at date of grant	\$0.24

The underlying expected volatility was determined by reference to historical data the Company shares over the expected average life of the broker's units.

Broker's units are detailed as follows:

Expiration date	December 31, 2016	
	Number	Exercise price
		\$
March, 2018	86,000	0.19
	<u>86,000</u>	<u>0.19</u>

## 15. EMPLOYEE REMUNERATION

### 15.1 Salaries and employee benefits expense

Salaries and employee benefits expense recognized are analysed below:

	December 31,	
	2016	2015
	\$	\$
Salaries and benefits	476,851	241,074
Management fees	300,000	150,000
Remuneration of director	70,500	52,000
Share-based payments	638,199	119,546
Change of the present value of the installments on due to directors, officers and companies owned by a director or an officer at effective rate	4,944	15,144
Change of the present value of installments at effective rate	(17,708)	(11,632)
	<u>1,472,786</u>	<u>566,132</u>

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

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### 15.2 Share-based payments

On September 13, 2016, the Company adopted a new share-based payment plan under which the Board of Directors may award to directors, officers, employees and consultants, options entitling its holder to purchase common shares of the Company. The maximum number of shares issuable under the plan is 14,000,000 common shares (10,080,000 as at December 31, 2015).

The exercise price of each option is determined by the Board of Directors and cannot be less than the market price of common shares as defined by TSX Venture Exchange policies on the day prior the award, and the term of the options cannot exceed ten years.

The maximum number of common shares that can be issued to a beneficiary, during any 12-month period is limited to 5 % of issued and outstanding shares.

The maximum numbers of shares that can be issued to consultant during any 12-month period is limited to 2 % of issued and outstanding shares; moreover, the options granted to consultants performing investor relations activities may be exercised by stages over a period of 12 months after the grant, at a rate of 25 % per quarter.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The Company's share options are as follows for the reporting periods presented:

	December 31, 2016		December 31, 2015	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of reporting period	7,562,500	0.13	3,912,500	0.19
Granted	6,200,000	0.28	4,050,000	0.07
Exercised	(1,150,000)	0.08	-	-
Expired	(962,500)	0.40	(200,000)	0.10
Cancelled	-	-	(200,000)	0.12
Outstanding, end of reporting period	<u>11,650,000</u>	<u>0.19</u>	<u>7,562,500</u>	<u>0.13</u>
Exercisable	<u>11,400,000</u>	<u>0.19</u>	<u>7,562,500</u>	<u>0.13</u>

**HPQ-Silicon Resources Inc.** (Formerly Uragold Bay Resources Inc.)**Notes to Consolidated Financial Statements**

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(in Canadian dollars)

**15.2 Share-based payments (continued)**

The table below summarizes the information related to outstanding share options as at December 31, 2016:

Number of options	Outstanding options	
	Weighted average exercise price	Weighted average remaining contractual life
	\$	(years)
3,200,000	0.07	3.70
2,250,000	0.12	1.03
600,000	0.15	1.97
400,000	0.19	4.70
5,200,000	0.30	4.76
<u>11,650,000</u>	<u>0.19</u>	<u>3.60</u>

The table below summarizes the information related to outstanding share options as at December 31, 2015:

Number of options	Outstanding options	
	Weighted average exercise price	Weighted average remaining contractual life
	\$	(years)
4,050,000	0.07	4.70
2,550,000	0.12	2.01
962,500	0.40	0.93
<u>7,562,500</u>	<u>0.13</u>	<u>3.28</u>

The weighted fair value of the granted options of \$ 0.12 (\$0.029 as at December 31, 2015) was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2016	2015
Average share price at date of grant	\$0.176	\$0.045
Expected dividend yield	0 %	0 %
Expected weighted volatility	103 %	96 %
Average risk-free interest rate	0.71 %	0.65 %
Expected average life	4.76 years	5 years
Average exercise price at date of grant	\$0.28	\$0.07

# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

## **Notes to Consolidated Financial Statements**

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(in Canadian dollars)

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### **15.2 Share-based payments (continued)**

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

An amount of \$712,437 (\$119,546 as at December 31, 2015) of employee remuneration expenses (all of which related to equity-settled share-based payment transactions) were included in profit or loss and credited to contributed surplus (\$638,199 as salaries and employee benefits expense and \$ 74,238 as professional and consultation fees; salaries and employee benefits expense in 2015). In addition, the Company granted 500,000 options to a consultant for a value of \$32,709. An amount of \$16,354 was recorded in profit or loss and credited to contributed surplus for the 250,000 options that were acquired during this period.

## **16. FAIR VALUE MEASUREMENT**

### **16.1 Financial instruments measured at fair value**

The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy levels are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

The fair value of the marketable securities in a quoted company was estimated based on the market price at the closing date.

Marketable securities in a quoted company measured at fair value in the consolidated statement of financial position as at December 31, 2016 are classified as Level 1.

### **16.2 Financial instruments measured at amortized cost for which a fair value is disclosed**

The fair value of installments on due to directors, officers and companies owned by a director or officer, installments on due to a company, due to directors, officers and a companies owned by a director, officer in non-current, royalties payable and notes payable in non-current (in 2015) was estimated using an analysis of discounted cash flows with an interest rate for similar financial instruments. The fair value approximates the carrying value at the end of the period. Financial instruments are classified in Level 2 of the fair value hierarchy.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

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### 17. OTHER OPERATING EXPENSES

Other operating expenses are detailed as follows:

	December 31,	
	2016	2015
	\$	\$
Professional and consultation fees (1)	770,584	514,411
Investors relations fees (2)	24,754	-
Traveling expenses	74,796	40,490
Office expenses	89,614	84,128
Information to shareholders and registration fees	62,319	50,408
Bank charges	4,329	2,949
Change in the present value of the installments on due to a company, at the effective rate (3)	-	4,661
	<u>1,026,396</u>	<u>697,047</u>

(1) Including stock-based payments of \$74,238 in 2016

(2) Including stock-based payments of \$16,354 in 2016

(3) Relating to professional and consultation fees

### 18. FINANCE INCOME AND FINANCIAL COSTS

Finance income may be analyzed as follows for the reporting periods presented:

	December 31,	
	2016	2015
	\$	\$
Interest income from installments on due	-	3,845
Net change in fair value of marketable securities in a quoted company	10,000	-
Amortization change in the present value of the installments on due to directors, officers and companies owned by a director or an officer at the effective rate	10,878	11,903
Amortization change in the present value of the installments on due to a company at the effective rate	3,441	3,208
	<u>24,319</u>	<u>18,956</u>



# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

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### 18. FINANCE INCOME AND FINANCIAL COSTS (continued)

Financial costs may be analyzed as follows for the reporting periods presented:

	December 31,	
	2016	2015
	\$	\$
Interest charges on notes payable	(53,458)	(61,907)
Amortization change of the present value of royalties payable	(44,848)	-
Amortization change of the present value of the due to directors, officers and companies owned by a director	(13,992)	(12,246)
	<u>(112,298)</u>	<u>(74,153)</u>

### 19. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, dilutive potential common shares such as warrants, agent's options, broker's warrants, broker's units and share options have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 14.2 to 14.5 and 15.2.

Both the basic and diluted loss per share have been calculated using the loss as the numerator, i.e. no adjustment to the loss were necessary in 2016 and 2015.

	December 31,	
	2015	2014
Net loss	\$(2,589,682)	\$(1,303,010)
Weighted average number of outstanding shares	129,753,298	89,857,959
Basic and diluted loss per share	\$(0.02)	\$(0.01)

See Note 26 for transactions involving shares completed after December 31, 2016.

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

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### 20. INCOME TAXES

#### Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	2016	2015
	\$	\$
Origination and reversal of temporary differences	(498,405)	(321,864)
Non-capital losses expired during the year	-	41,580
Tax effect of flow-through shares	84,515	57,321
Reversal of liabilities related to flow-through shares	(517)	(18,422)
Prior year adjustments	(4,100)	5,829
Temporary differences not recorded	417,990	217,134
	<u>(517)</u>	<u>(18,422)</u>

#### Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the consolidated statement of comprehensive loss can be reconciled as follows:

	2016	2015
	\$	\$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9%	(696,764)	(355,465)
Adjustments for the following items :		
Non-capital losses expired during the year	-	41,580
Fiscal impact of temporary difference not recorded	417,990	217,134
Non-taxable portion of the variation of fair value	(1,345)	--
Prior year adjustments	(4,100)	5,829
Tax effect of flow-through shares	84,515	57,321
Reversal of liabilities related to flow-through shares	(517)	(18,422)
Share-based payments	196,045	32,158
Other non-deductible expenses	3,659	1,443
Deferred income tax income	<u>(517)</u>	<u>(18,422)</u>

**HPQ-Silicon Resources Inc.** (Formerly Uragold Bay Resources Inc.)**Notes to Consolidated Financial Statements**

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**20. INCOME TAXES (continued)****Deferred tax assets and liabilities and variation of recognized amounts during the period**

The following differences between the carrying amounts and tax bases from temporary differences, unused tax losses and unused tax credits give rise to the following recognized deferred income tax assets and liabilities, and the following unrecognized temporary differences, unused tax losses and unused tax credits:

	Balance, January 1, 2016	Recognized in profit or loss	Balance, December 31, 2016
	\$	\$	\$
Recognized			
Marketable securities	-	(1,345)	(1,345)
Tax credits	(315)	315	-
Intangible assets	-	(232,800)	(232,800)
Due to directors, officers and a company owned by a director	(17,338)	(999)	(18,337)
Non-capital losses	17,653	234,829	252,482
Recognized deferred tax assets and liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Reversal of liabilities related to flow-through shares		<u>517</u>	
		<u>517</u>	

	Balance, January 1, 2015	Recognized in profit or loss	Balance, December 31, 2015
	\$	\$	\$
Recognized			
Tax credits	(3,760)	(3,445)	(315)
Due to directors, officers and a company owned by a director,	(8,188)	(9,150)	(17,338)
Non-capital losses	11,948	(5,705)	17,653
Recognized deferred tax assets and liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Reversal of liabilities related to flow-through shares		<u>18,422</u>	
		<u>18,422</u>	

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

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### 20. INCOME TAXES (continued)

	December 31, 2016	
	Federal	Provincial
	\$	\$
Deductible temporary differences and tax losses not recognized		
Property and equipment	265,341	252,348
Intangible assets	29,571	23,787
Issuance costs of equity instruments	225,277	225,277
Exploration and evaluation assets	4,064,088	6,639,603
Provisions and reserves	1,496,916	1,496,916
Installments on due to officers	20,048	20,048
Installments on due to a company	5,758	5,758
Unused loss carry-forwards	7,316,483	7,174,230
	<u>13,423,482</u>	<u>15,837,967</u>

	December 31, 2015	
	Federal	Provincial
	\$	\$
Deductible temporary differences and tax losses not recognized		
Property and equipment	265,001	252,008
Intangible assets	29,571	23,787
Issuance costs of equity instruments	77,683	77,683
Exploration and evaluation assets	4,395,495	6,973,660
Provisions and reserves	436,641	436,641
Installments on due to officers	25,982	25,982
Installments on due to a company	9,199	9,199
Unused loss carry-forwards	6,409,023	6,274,092
	<u>11,648,595</u>	<u>14,073,052</u>

The ability to realize the tax benefits depends on many factors, including the probability to generate future taxable incomes. The deferred tax assets are recognized only if it is probable that sufficient taxable profits will be available to allow the recovery of these assets. Therefore, some deferred tax assets have not been recognized, these unrecognized assets totaling an amount of \$3,898,239 (\$3,421,980 in 2015).

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

## Notes to Consolidated Financial Statements

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### 20. INCOME TAXES (continued)

The Company has non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the consolidated statement of financial position that can be carried over the following years:

	Federal	Provincial
	\$	\$
2028	289,455	184,339
2029	614,130	610,009
2030	627,620	624,214
2031	759,417	755,536
2032	649,448	647,675
2033	803,620	798,209
2034	723,985	720,353
2035	1,082,684	1,077,205
2036	1,766,123	1,756,689
	<u>7,316,482</u>	<u>7,174,229</u>

The Company has tax credits for investment which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded. These tax credits can be carried over the following years:

	Federal	Provincial
	\$	\$
2017	-	204,976
2027	3,363	-
2028	70,404	-
2029	8,810	-
2030	6,540	-
2031	310	-
2032	4,501	-
2033	1,200	-
	<u>95,128</u>	<u>204,976</u>

### 21. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	December 31,	
	2016	2015
	\$	\$
Goods and services tax receivable	(224,853)	(22,746)
Deposit	-	(50,000)
Prepaid expenses	(64,834)	(85,838)
Advances to officers	-	(63,800)
Advance for exploration expenses	69,681	(115,281)
Trade and other payables	110,533	176,325
	<u>(109,473)</u>	<u>(33,740)</u>

# HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)

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### 21. ADDITIONAL INFORMATION – CASH FLOWS (continued)

Non-cash balance sheet transactions are detailed as follows :

	2016	2015
	\$	\$
Issuance of units for acquisition of exploration and evaluation assets	-	684,766
Issuance of shares for payment of an account payable	56,500	88,759
Issuance of equity instruments for issuance cost of units	100,850	24,936
Payment of a debt provider by offsetting the installments on due to a company	-	13,000
Trade and other payables included in exploration and evaluation assets	93,683	100,332
Tax credits receivable included in exploration and evaluation assets	(19,455)	26,841
Deposit included in the intangible assets	50,000	
Royalties payable included in the intangible assets	815,427	-

### 22. RELATED PARTY TRANSACTIONS

The Company's related parties include key management and a company held by a director or an officer, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

#### 22.1 Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors and officers. Key management personnel remuneration includes the following expenses:

	December 31,	
	2016	2015
	\$	\$
Short-term employee benefits		
Salaries and employee benefits expense	476,851	241,074
Management fees <sup>(1)</sup>	300,000	150,000
Directors remuneration	70,500	52,000
Consultation fees	24,780	-
Change in present value of installments on due and installments on due to directors, officers and companies owned by a director or an officer, at the effective rate	(12,764)	3,512
Total short-term employee benefits	859,367	446,586
Share-based payments	638,199	119,546
Total remuneration	1,547,566	566,132

(1) Paid to a company owned by a director

On December 31, 2016, advances to officers and installments to directors, officers and companies owned by a director or an officer total \$362,953 (\$277,249 as at December 31, 2015).

Trade and other payables include and amount of \$13,997 due to directors and to a company owned by a director (\$11,109 as at December 31, 2015).

On December 31, 2016, due to directors, officers and a company owned by a director total \$1,209,601 (\$792,816 as at December 31, 2015).

# **HPQ-Silicon Resources Inc.** (Formerly Uragold Bay Resources Inc.)

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### **23. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern, to increase the value of the assets of the business, and to provide an adequate return to owners of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flows, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues a flow-through placement for which an amount should be used for exploration work. See all the details in Note 25.

The Company finances its exploration and evaluation activities mainly by seeking additional capital either through private placements or public placements. When funding conditions are not optimal, the Company can sign option agreements or other agreements to be able to continue its exploration and evaluation activities or can slow down its activities until conditions funding improves.

### **24. FINANCIAL INSTRUMENT RISKS**

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company risk management is coordinated in close cooperation with the Board of Directors. The Company's risk management focuses on actively securing the Company short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes.

The most significant financial risks to which the Company is exposed are described below.

#### **24.1 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Company is exposed to other price risk.

Other price risk sensitivity

The Company was exposed to fluctuations in the market prices of its holding marketable securities in a quoted company. The maximum risk to which the shares were exposed is equal to their fair value.

If the quoted share price for these shares had changed by  $\pm 20\%$  as at December 31, 2016, the profit or loss and equity would have changed by \$40,000.

#### **24.2 Credit risk**

Credit risk is the risk than another party to a financial instrument fails to its obligations and, therefore, leads the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of cash, advance for exploration expenses, deposit (as at December 31, 2015), installments on due to a company and installments on due to directors, officers and companies owned by a director or an officer for an amount of \$974,188 as at December 31, 2016 (\$716,916 as at December 31, 2015).

# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

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### **24.2 Credit risk (continued)**

The credit risk for installments on due to a company and installments on due to directors, officers and companies owned by a director or an officer is considered limited. The Company continuously monitors default of counterparties. No impairment loss has been recognized in the periods presented.

The Company's management considers that all the above financial assets, for each of the reporting dates under review are of good credit quality.

The credit risk for cash is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

### **24.3 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations with financial liabilities that are settled by cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the period, the Company has financed its exploration programs, its working capital requirements and acquisitions of mining properties through private placements.

The Company expects to respect its obligations with its cash flows related to placements.

Trade and other payables for an amount of \$373,974 (\$346,494 as at December 31, 2015), the due to directors, officers and a company owned by a director of \$92,530 as at December 31, 2015 and the notes payable for an amount of \$180,000 plus interests of \$11,096 (\$nil as at December 31, 2015) have contractual maturities of less than twelve months. The due to directors, officers and a company owned by a director of \$1,209,601 (\$700,286 as at December 31, 2015) and the notes payable for an amount of \$230,000 as at December 31, 2015 plus interests of \$ 63,500 have maturities until 31 December 2018.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash and tax credits receivable.

## **25. CONTINGENCIES AND COMMITMENTS**

The Company is partially financed through the issuance of flow-through units and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the first of the following dates:

- Two years following the flow-through financings;
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.



# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

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### **25. CONTINGENCIES AND COMMITMENTS (continued)**

The Company entered into agreements with subscribers whereby the Company had to incur \$245,000 of Canadian Exploration Expenses (“CEE”) before December 31, 2012. The Company had incurred \$163,875 in CEE before December 31, 2012 and an approximate balance of \$77,000 of CEE renounced to the investors was not been incurred as at December 31, 2012 and was used for other purposes than exploration expenses. The maximal contingency for the Company, in relation to non-compliance with its obligations with subscribers, is approximately \$55,000. As at February 28, 2014, the Company had produced the reductions forms related to the amount of \$77,000 in CEE renounced to the investors and that have not been incurred as at December 31, 2012. As at March 31, 2016, an amount of \$8,131 pertaining to part XII.6 taxes is included in trade accounts.

During the year ended December 31, 2015, the Company received \$354,596 following flow-through financings for which the Company renounced tax deductions as at December 31, 2015. At that date, \$135,060 represented proceeds of unspent financing related to flow-through shares.

During the period, the Company received \$1,436,658 following flow-through financings for which the Company renounced tax deductions as at December 31, 2016. At that date, a balance of \$1,257,533 represented proceeds of unspent financing related to flow-through shares.

The Company agreed to continue the contract for another year under the same terms and conditions as stipulated in the agreement signed on July 15, 2014 with AGORACOM. The Company will issue shares for services rendered by AGORACOM in exchange for the online advertising, marketing and branding services. The number of shares to be issued at the end of each period will be determined by using the closing price of the shares of the Company on the TSX Venture Exchange at the date of issue invoice. The term of the agreement is 12 months starting on July 15, 2016 and the services totalizing \$50,000 must be paid by the Company at the end of each quarter for the amount of \$12,500 plus TVH.

On April 12, 2016, the Company entered into a service relationship agreement with investors with the company Paradox Public Relations Inc. Under the agreement, the Company will pay monthly fees of \$6,500 for a period of 24 months and will issue 500,000 options to purchase shares at a price of \$0.15 per share over a period of 12 months following the grant at a rate of 25% per quarter. As at December 31, 2016, 250,000 stock options has been vested.

On September 28, 2015, the Company finalized its development and exclusive rights agreement with PyroGenesis. Under the terms of the agreement, the Company needs to make the following minimal royalty payments:

- For 2016, the greater of 10 % of sales of silicon or \$50,000 (paid on October 21, 2015 by the issuance of 1,000,000 units)
- For 2018, the greater of 10 % of sales silicon or \$150,000
- For 2019, the greater of 10 % of sales of silicon or \$200,000
- For 2020 and beyond, the greater of 10 % of sales of silicon or \$250,000 per annum

As at December 31, 2016, the total commitment for the purchase of the pilot equipment was around \$5,398,000.

# **HPQ-Silicon Resources Inc. (Formerly Uragold Bay Resources Inc.)**

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### **26. POST-REPORTING DATE EVENTS**

On February 23, 2017, the Company completed a private financing for a total amount of \$1,600,000. The Company issued 9,411,766 units and each unit consists of one common share and one warrant. Each full warrant entitles the holder thereof to subscribe for an equivalent number of common shares of the Company at a price of \$0.25 per share, during a period of 24 months following the closing of the financing. No amount related to the warrants will be recognized.

In addition, the Company recorded an amount of \$28,305 commission fees as units issue costs. The Company issued to the agent 166,500 warrants (for a value of \$14,792). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.25 per share for a period of 24 months from the date of closing of the financing and also, the Company issued to the agent 136,000 warrants (for a value of \$12,596). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.23 per share for a period of 24 months from the date of closing of the financing. No amount related to the Warrants will be recognized.

On March 7, 2017, the Company completed a private financing for a total amount of \$423,000. The Company issued 2,488,234 units and each unit consists of one common share and one warrant. Each full warrant entitles the holder thereof to subscribe for an equivalent number of common shares of the Company at a price of \$0.25 per share, during a period of 24 months following the closing of the financing. An amount of \$136,853 related to the warrants will be recorded in contributed surplus.

On March 24, 2017, the Company signed an agreement in principle with GNH, which provides that a new option and partnership agreement to acquire up to 50% interest in the Bellechasse-Timmins property must be concluded by the parties. This new agreement must contain substantially the same terms and conditions as the existing one.

This new agreement must provide for further delays in the completion of the work and a participation in a private placement's of GNH for a total amount of \$150,000.

After the end of the year, 2,300,000 warrants has been raised for a total amount of \$161,000 in cash.